

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NORTH DAVIESS COMMUNITY SCHOOLS  
DAVIESS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
07/06/2018



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SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>              | <u>Term</u>                                  |
|----------------------------------|------------------------------|--|
| Treasurer                        | Glenda O'Connor              | 07-01-14 to 12-31-18                         |
| Superintendent<br>of Schools     | Robert W. Bell               | 07-01-14 to 12-31-18                         |
| President of the<br>School Board | Richard Woodruff<br>Rob Dove | 07-01-14 to 12-31-17<br>01-01-18 to 12-31-18 |



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY  
SCHOOLS, DAVIESS COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the North Daviess Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School Corporation's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2014 to June 30, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

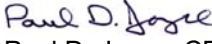
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2018, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2018



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY  
SCHOOLS, DAVIESS COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the North Daviess Community Schools (School Corporation), which comprises the financial position and results of operations for the period of July 1, 2014 to June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated June 18, 2018, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

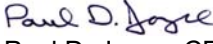
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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NORTH DAVIESS COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
OTHER FINANCING SOURCES (USES), AND CASH AND  
INVESTMENT BALANCES - REGULATORY BASIS  
For the Years Ended June 30, 2015 and 2016

| Fund   | Cash and<br>Investments<br>07-01-14 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-15 | Receipts             | Disbursements        | Other<br>Financing<br>Sources (Uses) | Cash and<br>Investments<br>06-30-16 |
|--|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|-------------------------------------|
| General  | \$ 1,656,207                        | \$ 7,393,199         | \$ 7,602,847         | \$ (14,792)                          | \$ 1,431,767                        | 7,432,579            | \$ 7,551,422         | \$ 14,792                            | \$ 1,327,716                        |
| Debt Service   | 205,111                             | 1,259,295            | 1,198,395            | -                                    | 266,011                             | 1,399,695            | 1,207,126            | -                                    | 458,580                             |
| Retirement/Severance Bond Debt Service                           | 26,742                              | 65,514               | 86,023               | -                                    | 6,233                               | -                    | -                    | -                                    | 6,233                               |
| Capital Projects   | 740,586                             | 1,447,088            | 1,326,909            | (450,000)                            | 410,765                             | 1,572,536            | 1,198,450            | (50,000)                             | 734,851                             |
| School Transportation  | 523,738                             | 904,306              | 638,016              | (200,000)                            | 590,028                             | 945,867              | 727,781              | (274,958)                            | 533,156                             |
| School Bus Replacement   | 38,631                              | 35,354               | 88,777               | 14,792                               | -                                   | 36,873               | -                    | (14,792)                             | 22,081                              |
| Rainy Day  | 2,754,783                           | 171,540              | 54,626               | 650,000                              | 3,521,697                           | 53,025               | 351,975              | 325,000                              | 3,547,747                           |
| Post-Retirement/Severance Future Benefits                        | 148,000                             | -                    | -                    | -                                    | 148,000                             | -                    | -                    | -                                    | 148,000                             |
| School Lunch   | 250,072                             | 581,575              | 565,689              | -                                    | 265,958                             | 648,546              | 541,128              | -                                    | 373,376                             |
| Textbook Rental  | 48,668                              | 108,454              | 141,811              | -                                    | 15,311                              | 117,420              | 77,772               | -                                    | 54,959                              |
| Self-Insurance   | 1,752,220                           | 244,317              | 14,021               | -                                    | 1,982,516                           | 580,769              | 163,428              | -                                    | 2,399,857                           |
| Levy Excess  | -                                   | 42                   | -                    | -                                    | 42                                  | -                    | -                    | (42)                                 | -                                   |
| Educational License Plates                                       | 242                                 | 131                  | 315                  | -                                    | 58                                  | 75                   | -                    | -                                    | 133                                 |
| Community Foundation Grants                                      | -                                   | 3,537                | -                    | -                                    | 3,537                               | 4,360                | 7,897                | -                                    | -                                   |
| Drug Free Communities  | 2                                   | -                    | 2                    | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| LCC High School Drug Free  | 2,000                               | -                    | 1,370                | -                                    | 630                                 | -                    | 630                  | -                                    | -                                   |
| LCC Elementary Drug Free   | 366                                 | -                    | 311                  | -                                    | 55                                  | -                    | 55                   | -                                    | -                                   |
| LCC Red Ribbon Elementary 2015                                   | -                                   | 500                  | -                    | -                                    | 500                                 | -                    | 480                  | -                                    | 20                                  |
| LCC Drug Testing 2015  | -                                   | 4,000                | -                    | -                                    | 4,000                               | -                    | 1,755                | -                                    | 2,245                               |
| 2016 LCC Drug Free High School                                   | -                                   | -                    | -                    | -                                    | -                                   | 3,950                | -                    | -                                    | 3,950                               |
| Secured Schools Safety Grant                                     | -                                   | 49,271               | 49,271               | -                                    | -                                   | 729                  | 729                  | -                                    | -                                   |
| Non-English Speaking Programs                                    | 165                                 | -                    | 165                  | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| NESP Grant 15-16   | -                                   | -                    | -                    | -                                    | -                                   | 7,112                | 6,859                | -                                    | 253                                 |
| School Technology  | 6,657                               | 36,950               | 26,199               | -                                    | 17,408                              | 27,677               | 24,494               | -                                    | 20,591                              |
| New Tech   | 9,046                               | -                    | 6,186                | -                                    | 2,860                               | -                    | 113                  | -                                    | 2,747                               |
| High Ability Grant 13/14   | 14,544                              | -                    | 14,544               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Making A Difference/High Ability Prof Devlp                      | -                                   | 13,300               | 13,300               | -                                    | -                                   | 700                  | 700                  | -                                    | -                                   |
| High Abil 14-15  | -                                   | 28,802               | 6,870                | -                                    | 21,932                              | -                    | 21,932               | -                                    | -                                   |
| High Ability Grant 15/16   | -                                   | -                    | -                    | -                                    | -                                   | 29,907               | 22,524               | -                                    | 7,383                               |
| ISTA Settlement  | 183,106                             | -                    | 151,200              | -                                    | 31,906                              | 450                  | 32,356               | -                                    | -                                   |
| 15-16 Formative Assessment GT                                    | -                                   | -                    | -                    | -                                    | -                                   | 8,544                | 8,544                | -                                    | -                                   |
| Title I 13-14  | (35,673)                            | 134,715              | 99,042               | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| 14-15 Title I  | -                                   | 242,538              | 281,015              | -                                    | (38,477)                            | 137,662              | 99,185               | -                                    | -                                   |
| 15-16 Title I Grant  | -                                   | -                    | -                    | -                                    | -                                   | 249,740              | 274,541              | -                                    | (24,801)                            |
| Improving Teacher Quality, No Child Left, Title II, Part A FY 13 | (11,009)                            | 43,289               | 32,280               | -                                    | -                                   | -                    | 1,508                | -                                    | -                                   |
| Title II Pt A FFY 2014 14/16                                     | -                                   | 54,431               | 54,542               | -                                    | (111)                               | 22,128               | 22,246               | -                                    | (229)                               |
| Title II 2015 Improv Teacher                                     | -                                   | -                    | -                    | -                                    | -                                   | 32,640               | 37,664               | -                                    | (5,024)                             |
| Rural and Low Income Grant FY 12                                 | (2,511)                             | 3,956                | 1,445                | -                                    | -                                   | -                    | -                    | -                                    | -                                   |
| Rural & Low Income FY 13   | -                                   | 13,569               | 13,572               | -                                    | (3)                                 | 3,287                | 3,284                | -                                    | -                                   |
| 14-16 Rural And Low Income                                       | -                                   | -                    | -                    | -                                    | -                                   | 10,130               | 11,399               | -                                    | (1,269)                             |
| Title III - English Proficiency Migrant                          | -                                   | 7,251                | 3,725                | -                                    | 3,526                               | -                    | 3,526                | -                                    | -                                   |
| Title III Non English Speaking/SIEC                              | 6,908                               | -                    | 5,268                | -                                    | 1,640                               | -                    | 1,640                | -                                    | -                                   |
| Prepaid School Lunch   | 10,729                              | (3,871)              | -                    | -                                    | 6,858                               | 136                  | -                    | -                                    | 6,994                               |
| Payroll Withholdings   | 2,013                               | 1,580,967            | 1,582,980            | -                                    | -                                   | 1,618,471            | 1,618,471            | -                                    | -                                   |
| ECA Payroll  | (1,038)                             | 6,464                | 5,426                | -                                    | -                                   | 2,764                | 2,764                | -                                    | -                                   |
| <b>Totals</b>  | <b>\$ 8,330,305</b>                 | <b>\$ 14,430,484</b> | <b>\$ 14,066,142</b> | <b>\$ -</b>                          | <b>\$ 8,694,647</b>                 | <b>\$ 14,949,280</b> | <b>\$ 14,024,378</b> | <b>\$ -</b>                          | <b>\$ 9,619,549</b>                 |

The notes to the financial statement are an integral part of this statement.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

School Corporation, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community service activities, and other revenue from local sources.

*Intermediate sources.* Amounts received as distributions from the County for fees collected for or on behalf of the School Corporation including, but not limited to, the following: educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the School Corporation for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Noninstructional services.* Amounts disbursed for food service operations and community service operations.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Debt service.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the School Corporation, including: all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**Note 7. Negative Receipt**

The financial statement contains a receipt which appears as a negative entry. This is a result of all prepaid lunch transactions running through the revenue edit on the ledger. This resulted in a negative receipt since more funds were transferred out of prepaid than were deposited.

**Note 8. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the School Corporation were not received by June 30, 2015 and 2016.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 9.  *Holding Corporation***

The School Corporation has entered into a capital lease with North Daviess School Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related-party of the School Corporation. Lease payments during the years 2015 and 2016 totaled \$1,200,595 and \$1,207,125, respectively.

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#### OTHER INFORMATION - UNAUDITED

The School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office. Additionally, some financial information of the School Corporation can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the School Corporation's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the School Corporation. It is presented as intended by the School Corporation.

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

|   | General      | Debt Service | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day | Post-<br>Retirement/<br>Severance<br>Future<br>Benefits | School<br>Lunch | Textbook<br>Rental |
|---|--------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|---|-----------------|--------------------|
| Cash and investments - beginning  | \$ 1,656,207 | \$ 205,111   | \$ 26,742   | \$ 740,586          | \$ 523,738               | \$ 38,631                    | \$ 2,754,783 | \$ 148,000  | \$ 250,072      | \$ 48,668          |
| Receipts:   |              |              |   |                     |                          |                              |              |   |                 |                    |
| Local sources   | 49,766       | 1,259,295    | 65,514  | 1,447,088           | 904,306                  | 35,354                       | -            | -   | 276,309         | 70,213             |
| Intermediate sources  | 24           | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| State sources   | 7,343,409    | -            | -   | -                   | -                        | -                            | -            | -   | -               | 38,241             |
| Federal sources   | -            | -            | -   | -                   | -                        | -                            | 171,540      | -   | 305,126         | -                  |
| Other receipts  | -            | -            | -   | -                   | -                        | -                            | -            | -   | 140             | -                  |
| Total receipts  | 7,393,199    | 1,259,295    | 65,514  | 1,447,088           | 904,306                  | 35,354                       | 171,540      | -   | 581,575         | 108,454            |
| Disbursements:  |              |              |   |                     |                          |                              |              |   |                 |                    |
| Instruction   | 5,479,448    | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| Support services  | 1,960,573    | -            | -   | 864,125             | 638,016                  | 88,777                       | 54,626       | -   | 350             | 141,811            |
| Noninstructional services   | 162,826      | -            | -   | -                   | -                        | -                            | -            | -   | 565,339         | -                  |
| Facilities acquisition and construction   | -            | -            | -   | 462,784             | -                        | -                            | -            | -   | -               | -                  |
| Debt service  | -            | 1,198,395    | 86,023  | -                   | -                        | -                            | -            | -   | -               | -                  |
| Nonprogrammed charges   | -            | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| Total disbursements   | 7,602,847    | 1,198,395    | 86,023  | 1,326,909           | 638,016                  | 88,777                       | 54,626       | -   | 565,689         | 141,811            |
| Excess (deficiency) of receipts over disbursements  | (209,648)    | 60,900       | (20,509)  | 120,179             | 266,290                  | (53,423)                     | 116,914      | -   | 15,886          | (33,357)           |
| Other financing sources (uses):   |              |              |   |                     |                          |                              |              |   |                 |                    |
| Transfers in  | -            | -            | -   | -                   | -                        | 14,792                       | 650,000      | -   | -               | -                  |
| Transfers out   | (14,792)     | -            | -   | (450,000)           | (200,000)                | -                            | -            | -   | -               | -                  |
| Total other financing sources (uses)  | (14,792)     | -            | -   | (450,000)           | (200,000)                | 14,792                       | 650,000      | -   | -               | -                  |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (224,440)    | 60,900       | (20,509)  | (329,821)           | 66,290                   | (38,631)                     | 766,914      | -   | 15,886          | (33,357)           |
| Cash and investments - ending   | \$ 1,431,767 | \$ 266,011   | \$ 6,233  | \$ 410,765          | \$ 590,028               | \$ -                         | \$ 3,521,697 | \$ 148,000  | \$ 265,958      | \$ 15,311          |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

|   | Self-<br>Insurance | Levy<br>Excess | Educational<br>License<br>Plates | Community<br>Foundation<br>Grants | Drug<br>Free<br>Communities | LCC<br>High School<br>Drug Free | LCC<br>Elementary<br>Drug Free | LCC<br>Red Ribbon<br>Elementary 2015 | LCC<br>Drug Testing<br>2015 |
|---|--------------------|----------------|----------------------------------|-----------------------------------|-----------------------------|---------------------------------|--------------------------------|--------------------------------------|-----------------------------|
| Cash and investments - beginning  | \$ 1,752,220       | \$ -           | \$ 242                           | \$ -                              | \$ 2                        | \$ 2,000                        | \$ 366                         | \$ -                                 | \$ -                        |
| Receipts:   |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Local sources   | 244,317            | 42             | -                                | 3,537                             | -                           | -                               | -                              | 500                                  | -                           |
| Intermediate sources  | -                  | -              | 131                              | -                                 | -                           | -                               | -                              | -                                    | -                           |
| State sources   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | 4,000                       |
| Federal sources   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Other receipts  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total receipts  | 244,317            | 42             | 131                              | 3,537                             | -                           | -                               | -                              | 500                                  | 4,000                       |
| Disbursements:  |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Instruction   | -                  | -              | -                                | -                                 | -                           | 1,370                           | 311                            | -                                    | -                           |
| Support services  | 14,021             | -              | 315                              | -                                 | 2                           | -                               | -                              | -                                    | -                           |
| Noninstructional services   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Facilities acquisition and construction   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Debt service  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Nonprogrammed charges   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total disbursements   | 14,021             | -              | 315                              | -                                 | 2                           | 1,370                           | 311                            | -                                    | -                           |
| Excess (deficiency) of receipts over disbursements  | 230,296            | 42             | (184)                            | 3,537                             | (2)                         | (1,370)                         | (311)                          | 500                                  | 4,000                       |
| Other financing sources (uses):   |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Transfers in  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Transfers out   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total other financing sources (uses)  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | 230,296            | 42             | (184)                            | 3,537                             | (2)                         | (1,370)                         | (311)                          | 500                                  | 4,000                       |
| Cash and investments - ending   | \$ 1,982,516       | \$ 42          | \$ 58                            | \$ 3,537                          | \$ -                        | \$ 630                          | \$ 55                          | \$ 500                               | \$ 4,000                    |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

|   | 2016<br>LCC Drug Free<br>High School | Secured<br>Schools<br>Safety<br>Grant | Non-English<br>Speaking<br>Programs | NESP<br>Grant<br>15-16 | School<br>Technology | New<br>Tech | High Ability<br>Grant<br>13/14 | Making<br>A Difference/<br>High Ability<br>Prof Devlp | High Abil<br>14-15 |
|---|--------------------------------------|---------------------------------------|-------------------------------------|------------------------|----------------------|-------------|--------------------------------|---|--------------------|
| Cash and investments - beginning  | \$ -                                 | \$ -                                  | \$ 165                              | \$ -                   | \$ 6,657             | \$ 9,046    | \$ 14,544                      | \$ -  | \$ -               |
| Receipts:   |                                      |                                       |                                     |                        |                      |             |                                |   |                    |
| Local sources   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Intermediate sources  | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| State sources   | -                                    | 49,271                                | -                                   | -                      | 36,950               | -           | -                              | 13,300  | 28,802             |
| Federal sources   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Other receipts  | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Total receipts  | -                                    | 49,271                                | -                                   | -                      | 36,950               | -           | -                              | 13,300  | 28,802             |
| Disbursements:  |                                      |                                       |                                     |                        |                      |             |                                |   |                    |
| Instruction   | -                                    | -                                     | 165                                 | -                      | 26,199               | 6,186       | 14,544                         | 13,300  | 6,870              |
| Support services  | -                                    | 49,271                                | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Noninstructional services   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Facilities acquisition and construction   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Debt service  | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Nonprogrammed charges   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Total disbursements   | -                                    | 49,271                                | 165                                 | -                      | 26,199               | 6,186       | 14,544                         | 13,300  | 6,870              |
| Excess (deficiency) of receipts over disbursements  | -                                    | -                                     | (165)                               | -                      | 10,751               | (6,186)     | (14,544)                       | -   | 21,932             |
| Other financing sources (uses):   |                                      |                                       |                                     |                        |                      |             |                                |   |                    |
| Transfers in  | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Transfers out   | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Total other financing sources (uses)  | -                                    | -                                     | -                                   | -                      | -                    | -           | -                              | -   | -                  |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | -                                    | -                                     | (165)                               | -                      | 10,751               | (6,186)     | (14,544)                       | -   | 21,932             |
| Cash and investments - ending   | \$ -                                 | \$ -                                  | \$ -                                | \$ -                   | \$ 17,408            | \$ 2,860    | \$ -                           | \$ -  | \$ 21,932          |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

|   | High Ability Grant<br>15/16 | ISTA<br>Settlement | 15-16 Formative<br>Assessment GT | Title I<br>13-14 | 14-15 Title I | 15-16 Title I Grant | Improving Teacher<br>Quality,<br>No Child Left,<br>Title II, Part A<br>FY 13 | Title II Pt A<br>FFY 2014<br>14/16 | Title II 2015<br>Improv Teacher |
|---|-----------------------------|--------------------|----------------------------------|------------------|---------------|---------------------|--|------------------------------------|---------------------------------|
| Cash and investments - beginning  | \$ -                        | \$ 183,106         | \$ -                             | \$ (35,673)      | \$ -          | \$ -                | \$ (11,009)  | \$ -                               | \$ -                            |
| Receipts:   |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Local sources   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Intermediate sources  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| State sources   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Federal sources   | -                           | -                  | -                                | 134,715          | 242,538       | -                   | 43,289   | 54,431                             | -                               |
| Other receipts  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total receipts  | -                           | -                  | -                                | 134,715          | 242,538       | -                   | 43,289   | 54,431                             | -                               |
| Disbursements:  |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Instruction   | -                           | -                  | -                                | 94,972           | 268,664       | -                   | 32,280   | 54,542                             | -                               |
| Support services  | -                           | 151,200            | -                                | 3,593            | 9,496         | -                   | -  | -                                  | -                               |
| Noninstructional services   | -                           | -                  | -                                | 477              | 2,855         | -                   | -  | -                                  | -                               |
| Facilities acquisition and construction   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Debt service  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Nonprogrammed charges   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total disbursements   | -                           | 151,200            | -                                | 99,042           | 281,015       | -                   | 32,280   | 54,542                             | -                               |
| Excess (deficiency) of receipts over<br>disbursements   | -                           | (151,200)          | -                                | 35,673           | (38,477)      | -                   | 11,009   | (111)                              | -                               |
| Other financing sources (uses):   |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Transfers in  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Transfers out   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total other financing sources (uses)  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | -                           | (151,200)          | -                                | 35,673           | (38,477)      | -                   | 11,009   | (111)                              | -                               |
| Cash and investments - ending   | \$ -                        | \$ 31,906          | \$ -                             | \$ -             | \$ (38,477)   | \$ -                | \$ -   | \$ (111)                           | \$ -                            |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2015

|   | Rural and<br>Low<br>Income<br>Grant<br>FY 12 | Rural &<br>Low Income<br>FY 13 | 14-16 Rural and<br>Low Income | Title III -<br>English<br>Proficiency<br>Migrant | Title III<br>Non English<br>Speaking/SIEC | Prepaid<br>School<br>Lunch | Payroll<br>Withholdings | ECA<br>Payroll | Totals              |
|---|--|--------------------------------|-------------------------------|--|---|----------------------------|-------------------------|----------------|---------------------|
| Cash and investments - beginning  | \$ (2,511)                                   | \$ -                           | \$ -                          | \$ -   | \$ 6,908                                  | \$ 10,729                  | \$ 2,013                | \$ (1,038)     | \$ 8,330,305        |
| Receipts:   |  |                                |                               |  |   |                            |                         |                |                     |
| Local sources   | -  | -                              | -                             | -  | -   | (3,871)                    | 1,580,967               | 6,464          | 5,939,801           |
| Intermediate sources  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 155                 |
| State sources   | -  | -                              | -                             | 7,251  | -   | -                          | -                       | -              | 7,521,224           |
| Federal sources   | 3,956  | 13,569                         | -                             | -  | -   | -                          | -                       | -              | 969,164             |
| Other receipts  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 140                 |
| Total receipts  | <u>3,956</u>                                 | <u>13,569</u>                  | <u>-</u>                      | <u>7,251</u>                                     | <u>-</u>                                  | <u>(3,871)</u>             | <u>1,580,967</u>        | <u>6,464</u>   | <u>14,430,484</u>   |
| Disbursements:  |  |                                |                               |  |   |                            |                         |                |                     |
| Instruction   | 1,445  | 13,572                         | -                             | 3,725  | 5,268                                     | -                          | -                       | -              | 6,022,861           |
| Support services  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 3,976,176           |
| Noninstructional services   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 731,497             |
| Facilities acquisition and construction   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 462,784             |
| Debt service  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 1,284,418           |
| Nonprogrammed charges   | -  | -                              | -                             | -  | -   | -                          | 1,582,980               | 5,426          | 1,588,406           |
| Total disbursements   | <u>1,445</u>                                 | <u>13,572</u>                  | <u>-</u>                      | <u>3,725</u>                                     | <u>5,268</u>                              | <u>-</u>                   | <u>1,582,980</u>        | <u>5,426</u>   | <u>14,066,142</u>   |
| Excess (deficiency) of receipts over disbursements  | <u>2,511</u>                                 | <u>(3)</u>                     | <u>-</u>                      | <u>3,526</u>                                     | <u>(5,268)</u>                            | <u>(3,871)</u>             | <u>(2,013)</u>          | <u>1,038</u>   | <u>364,342</u>      |
| Other financing sources (uses):   |  |                                |                               |  |   |                            |                         |                |                     |
| Transfers in  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 664,792             |
| Transfers out   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | (664,792)           |
| Total other financing sources (uses)  | <u>-</u>                                     | <u>-</u>                       | <u>-</u>                      | <u>-</u>   | <u>-</u>                                  | <u>-</u>                   | <u>-</u>                | <u>-</u>       | <u>-</u>            |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>2,511</u>                                 | <u>(3)</u>                     | <u>-</u>                      | <u>3,526</u>                                     | <u>(5,268)</u>                            | <u>(3,871)</u>             | <u>(2,013)</u>          | <u>1,038</u>   | <u>364,342</u>      |
| Cash and investments - ending   | <u>\$ -</u>                                  | <u>\$ (3)</u>                  | <u>\$ -</u>                   | <u>\$ 3,526</u>                                  | <u>\$ 1,640</u>                           | <u>\$ 6,858</u>            | <u>\$ -</u>             | <u>\$ -</u>    | <u>\$ 8,694,647</u> |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

|   | General      | Debt Service | Retirement/<br>Severance<br>Bond<br>Debt<br>Service | Capital<br>Projects | School<br>Transportation | School<br>Bus<br>Replacement | Rainy<br>Day | Post-<br>Retirement/<br>Severance<br>Future<br>Benefits | School<br>Lunch | Textbook<br>Rental |
|---|--------------|--------------|---|---------------------|--------------------------|------------------------------|--------------|---|-----------------|--------------------|
| Cash and investments - beginning  | \$ 1,431,767 | \$ 266,011   | \$ 6,233  | \$ 410,765          | \$ 590,028               | \$ -                         | \$ 3,521,697 | \$ 148,000  | \$ 265,958      | \$ 15,311          |
| Receipts:   |              |              |   |                     |                          |                              |              |   |                 |                    |
| Local sources   | 67,823       | 1,399,695    | -   | 1,531,460           | 945,867                  | 36,873                       | 53,025       | -   | 350,623         | 78,670             |
| Intermediate sources  | 25           | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| State sources   | 7,364,731    | -            | -   | -                   | -                        | -                            | -            | -   | 7,760           | 38,750             |
| Federal sources   | -            | -            | -   | -                   | -                        | -                            | -            | -   | 290,163         | -                  |
| Other receipts  | -            | -            | -   | 41,076              | -                        | -                            | -            | -   | -               | -                  |
| Total receipts  | 7,432,579    | 1,399,695    | -   | 1,572,536           | 945,867                  | 36,873                       | 53,025       | -   | 648,546         | 117,420            |
| Disbursements:  |              |              |   |                     |                          |                              |              |   |                 |                    |
| Instruction   | 5,424,439    | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| Support services  | 1,936,066    | -            | -   | 791,400             | 727,781                  | -                            | 351,975      | -   | 200             | 77,772             |
| Noninstructional services   | 190,917      | -            | -   | -                   | -                        | -                            | -            | -   | 540,928         | -                  |
| Facilities acquisition and construction   | -            | -            | -   | 407,050             | -                        | -                            | -            | -   | -               | -                  |
| Debt service  | -            | 1,207,126    | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| Nonprogrammed charges   | -            | -            | -   | -                   | -                        | -                            | -            | -   | -               | -                  |
| Total disbursements   | 7,551,422    | 1,207,126    | -   | 1,198,450           | 727,781                  | -                            | 351,975      | -   | 541,128         | 77,772             |
| Excess (deficiency) of receipts over disbursements  | (118,843)    | 192,569      | -   | 374,086             | 218,086                  | 36,873                       | (298,950)    | -   | 107,418         | 39,648             |
| Other financing sources (uses):   |              |              |   |                     |                          |                              |              |   |                 |                    |
| Transfers in  | 14,792       | -            | -   | -                   | 42                       | -                            | 325,000      | -   | -               | -                  |
| Transfers out   | -            | -            | -   | (50,000)            | (275,000)                | (14,792)                     | -            | -   | -               | -                  |
| Total other financing sources (uses)  | 14,792       | -            | -   | (50,000)            | (274,958)                | (14,792)                     | 325,000      | -   | -               | -                  |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | (104,051)    | 192,569      | -   | 324,086             | (56,872)                 | 22,081                       | 26,050       | -   | 107,418         | 39,648             |
| Cash and investments - ending   | \$ 1,327,716 | \$ 458,580   | \$ 6,233  | \$ 734,851          | \$ 533,156               | \$ 22,081                    | \$ 3,547,747 | \$ 148,000  | \$ 373,376      | \$ 54,959          |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

|   | Self-<br>Insurance | Levy<br>Excess | Educational<br>License<br>Plates | Community<br>Foundation<br>Grants | Drug<br>Free<br>Communities | LCC<br>High School<br>Drug Free | LCC<br>Elementary<br>Drug Free | LCC<br>Red Ribbon<br>Elementary 2015 | LCC<br>Drug Testing<br>2015 |
|---|--------------------|----------------|----------------------------------|-----------------------------------|-----------------------------|---------------------------------|--------------------------------|--------------------------------------|-----------------------------|
| Cash and investments - beginning  | \$ 1,982,516       | \$ 42          | \$ 58                            | \$ 3,537                          | \$ -                        | \$ 630                          | \$ 55                          | \$ 500                               | \$ 4,000                    |
| Receipts:   |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Local sources   | 580,769            | -              | -                                | 4,360                             | -                           | -                               | -                              | -                                    | -                           |
| Intermediate sources  | -                  | -              | 75                               | -                                 | -                           | -                               | -                              | -                                    | -                           |
| State sources   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Federal sources   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Other receipts  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total receipts  | 580,769            | -              | 75                               | 4,360                             | -                           | -                               | -                              | -                                    | -                           |
| Disbursements:  |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Instruction   | -                  | -              | -                                | -                                 | -                           | 630                             | 55                             | 480                                  | -                           |
| Support services  | 163,428            | -              | -                                | 7,897                             | -                           | -                               | -                              | -                                    | 1,755                       |
| Noninstructional services   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Facilities acquisition and construction   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Debt service  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Nonprogrammed charges   | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total disbursements   | 163,428            | -              | -                                | 7,897                             | -                           | 630                             | 55                             | 480                                  | 1,755                       |
| Excess (deficiency) of receipts over<br>disbursements   | 417,341            | -              | 75                               | (3,537)                           | -                           | (630)                           | (55)                           | (480)                                | (1,755)                     |
| Other financing sources (uses):   |                    |                |                                  |                                   |                             |                                 |                                |                                      |                             |
| Transfers in  | -                  | -              | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Transfers out   | -                  | (42)           | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Total other financing sources (uses)  | -                  | (42)           | -                                | -                                 | -                           | -                               | -                              | -                                    | -                           |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | 417,341            | (42)           | 75                               | (3,537)                           | -                           | (630)                           | (55)                           | (480)                                | (1,755)                     |
| Cash and investments - ending   | \$ 2,399,857       | \$ -           | \$ 133                           | \$ -                              | \$ -                        | \$ -                            | \$ -                           | \$ 20                                | \$ 2,245                    |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

|   | 2016<br>LCC Drug Free<br>High School | Secured<br>Schools<br>Safety<br>Grant | Non-English<br>Speaking<br>Programs | NESP<br>Grant<br>15-16 | School<br>Technology | New<br>Tech     | High Ability<br>Grant<br>13/14 | Making<br>A Difference/<br>High Ability<br>Prof Devlp | High Abil<br>14-15 |
|---|--------------------------------------|---------------------------------------|-------------------------------------|------------------------|----------------------|-----------------|--------------------------------|---|--------------------|
| Cash and investments - beginning  | \$ -                                 | \$ -                                  | \$ -                                | \$ -                   | \$ 17,408            | \$ 2,860        | \$ -                           | \$ -  | \$ 21,932          |
| Receipts:   |                                      |                                       |                                     |                        |                      |                 |                                |   |                    |
| Local sources   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Intermediate sources  | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| State sources   | 3,950                                | 729                                   | -                                   | 7,112                  | 27,677               | -               | -                              | 700   | -                  |
| Federal sources   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Other receipts  | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Total receipts  | <u>3,950</u>                         | <u>729</u>                            | <u>-</u>                            | <u>7,112</u>           | <u>27,677</u>        | <u>-</u>        | <u>-</u>                       | <u>700</u>  | <u>-</u>           |
| Disbursements:  |                                      |                                       |                                     |                        |                      |                 |                                |   |                    |
| Instruction   | -                                    | -                                     | -                                   | 6,859                  | 24,494               | 113             | -                              | 700   | 21,932             |
| Support services  | -                                    | 729                                   | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Noninstructional services   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Facilities acquisition and construction   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Debt service  | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Nonprogrammed charges   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Total disbursements   | <u>-</u>                             | <u>729</u>                            | <u>-</u>                            | <u>6,859</u>           | <u>24,494</u>        | <u>113</u>      | <u>-</u>                       | <u>700</u>  | <u>21,932</u>      |
| Excess (deficiency) of receipts over disbursements  | <u>3,950</u>                         | <u>-</u>                              | <u>-</u>                            | <u>253</u>             | <u>3,183</u>         | <u>(113)</u>    | <u>-</u>                       | <u>-</u>  | <u>(21,932)</u>    |
| Other financing sources (uses):   |                                      |                                       |                                     |                        |                      |                 |                                |   |                    |
| Transfers in  | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Transfers out   | -                                    | -                                     | -                                   | -                      | -                    | -               | -                              | -   | -                  |
| Total other financing sources (uses)  | <u>-</u>                             | <u>-</u>                              | <u>-</u>                            | <u>-</u>               | <u>-</u>             | <u>-</u>        | <u>-</u>                       | <u>-</u>  | <u>-</u>           |
| Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses | <u>3,950</u>                         | <u>-</u>                              | <u>-</u>                            | <u>253</u>             | <u>3,183</u>         | <u>(113)</u>    | <u>-</u>                       | <u>-</u>  | <u>(21,932)</u>    |
| Cash and investments - ending   | <u>\$ 3,950</u>                      | <u>\$ -</u>                           | <u>\$ -</u>                         | <u>\$ 253</u>          | <u>\$ 20,591</u>     | <u>\$ 2,747</u> | <u>\$ -</u>                    | <u>\$ -</u>   | <u>\$ -</u>        |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

|   | High Ability Grant<br>15/16 | ISTA<br>Settlement | 15-16 Formative<br>Assessment GT | Title I<br>13-14 | 14-15 Title I | 15-16 Title I Grant | Improving Teacher<br>Quality,<br>No Child Left,<br>Title II, Part A<br>FY 13 | Title II Pt A<br>FFY 2014<br>14/16 | Title II 2015<br>Improv Teacher |
|---|-----------------------------|--------------------|----------------------------------|------------------|---------------|---------------------|--|------------------------------------|---------------------------------|
| Cash and investments - beginning  | \$ -                        | \$ 31,906          | \$ -                             | \$ -             | \$ (38,477)   | \$ -                | \$ -   | \$ (111)                           | \$ -                            |
| Receipts:   |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Local sources   | -                           | 450                | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Intermediate sources  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| State sources   | 29,907                      | -                  | 8,544                            | -                | -             | -                   | -  | -                                  | -                               |
| Federal sources   | -                           | -                  | -                                | -                | 137,662       | 249,740             | 1,508  | 22,128                             | 32,640                          |
| Other receipts  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total receipts  | 29,907                      | 450                | 8,544                            | -                | 137,662       | 249,740             | 1,508  | 22,128                             | 32,640                          |
| Disbursements:  |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Instruction   | 22,524                      | -                  | 8,544                            | -                | 92,035        | 267,758             | 1,508  | 22,246                             | 32,392                          |
| Support services  | -                           | 32,356             | -                                | -                | 4,280         | 3,160               | -  | -                                  | 5,272                           |
| Noninstructional services   | -                           | -                  | -                                | -                | 2,870         | 3,623               | -  | -                                  | -                               |
| Facilities acquisition and construction   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Debt service  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Nonprogrammed charges   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total disbursements   | 22,524                      | 32,356             | 8,544                            | -                | 99,185        | 274,541             | 1,508  | 22,246                             | 37,664                          |
| Excess (deficiency) of receipts over<br>disbursements   | 7,383                       | (31,906)           | -                                | -                | 38,477        | (24,801)            | -  | (118)                              | (5,024)                         |
| Other financing sources (uses):   |                             |                    |                                  |                  |               |                     |  |                                    |                                 |
| Transfers in  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Transfers out   | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Total other financing sources (uses)  | -                           | -                  | -                                | -                | -             | -                   | -  | -                                  | -                               |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | 7,383                       | (31,906)           | -                                | -                | 38,477        | (24,801)            | -  | (118)                              | (5,024)                         |
| Cash and investments - ending   | \$ 7,383                    | \$ -               | \$ -                             | \$ -             | \$ -          | \$ (24,801)         | \$ -   | \$ (229)                           | \$ (5,024)                      |

NORTH DAVIESS COMMUNITY SCHOOLS  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 OTHER FINANCING SOURCES (USES), AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended June 30, 2016

|   | Rural and<br>Low<br>Income<br>Grant<br>FY 12 | Rural &<br>Low Income<br>FY 13 | 14-16 Rural and<br>Low Income | Title III -<br>English<br>Proficiency<br>Migrant | Title III<br>Non English<br>Speaking/SIEC | Prepaid<br>School<br>Lunch | Payroll<br>Withholdings | ECA<br>Payroll | Totals       |
|---|--|--------------------------------|-------------------------------|--|---|----------------------------|-------------------------|----------------|--------------|
| Cash and investments - beginning  | \$ -   | \$ (3)                         | \$ -                          | \$ 3,526   | \$ 1,640                                  | \$ 6,858                   | \$ -                    | \$ -           | \$ 8,694,647 |
| Receipts:   |  |                                |                               |  |   |                            |                         |                |              |
| Local sources   | -  | -                              | -                             | -  | -   | 136                        | 1,618,471               | 2,764          | 6,670,986    |
| Intermediate sources  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 100          |
| State sources   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 7,489,860    |
| Federal sources   | -  | 3,287                          | 10,130                        | -  | -   | -                          | -                       | -              | 747,258      |
| Other receipts  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 41,076       |
| Total receipts  | -  | 3,287                          | 10,130                        | -  | -   | 136                        | 1,618,471               | 2,764          | 14,949,280   |
| Disbursements:  |  |                                |                               |  |   |                            |                         |                |              |
| Instruction   | -  | 3,284                          | 11,399                        | 3,526  | 1,640                                     | -                          | -                       | -              | 5,946,558    |
| Support services  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 4,104,071    |
| Noninstructional services   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 738,338      |
| Facilities acquisition and construction   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 407,050      |
| Debt service  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 1,207,126    |
| Nonprogrammed charges   | -  | -                              | -                             | -  | -   | -                          | 1,618,471               | 2,764          | 1,621,235    |
| Total disbursements   | -  | 3,284                          | 11,399                        | 3,526  | 1,640                                     | -                          | 1,618,471               | 2,764          | 14,024,378   |
| Excess (deficiency) of receipts over<br>disbursements   | -  | 3                              | (1,269)                       | (3,526)  | (1,640)                                   | 136                        | -                       | -              | 924,902      |
| Other financing sources (uses):   |  |                                |                               |  |   |                            |                         |                |              |
| Transfers in  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | 339,834      |
| Transfers out   | -  | -                              | -                             | -  | -   | -                          | -                       | -              | (339,834)    |
| Total other financing sources (uses)  | -  | -                              | -                             | -  | -   | -                          | -                       | -              | -            |
| Excess (deficiency) of receipts and other<br>financing sources over disbursements<br>and other financing uses | -  | 3                              | (1,269)                       | (3,526)  | (1,640)                                   | 136                        | -                       | -              | 924,902      |
| Cash and investments - ending   | \$ -   | \$ -                           | \$ (1,269)                    | \$ -   | \$ -                                      | \$ 6,994                   | \$ -                    | \$ -           | \$ 9,619,549 |

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NORTH DAVIESS COMMUNITY SCHOOLS  
 SCHEDULE OF LEASES AND DEBT  
 June 30, 2016

| Lessor                                    | Purpose             | Annual<br>Lease<br>Payment | Lease<br>Beginning<br>Date | Lease<br>Ending<br>Date |
|---|---------------------|----------------------------|----------------------------|-------------------------|
| Governmental activities:                  |                     |                            |                            |                         |
| North Daviess School Building Corporation | Elementary Building | \$ 1,198,650               | 7/10/2005                  | 7/10/2021               |
| Total of annual lease payments            |                     | <u>\$ 1,198,650</u>        |                            |                         |

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY  
SCHOOLS, DAVIESS COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the North Daviess Community Schools' (School Corporation) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2014 to June 30, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**


Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002 to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

NORTH DAVIES COMMUNITY SCHOOLS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2015 and 2016

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-15 | Total<br>Federal Awards<br>Expended<br>06-30-15 | Passed Through<br>to Subrecipient<br>06-30-16 | Total<br>Federal Awards<br>Expended<br>06-30-16 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| <u>Department of Agriculture</u>                                    |                                     |                           |  |   |   |   |   |
| Child Nutrition Cluster   |                                     |                           |  |   |   |   |   |
| School Breakfast Program  |                                     |                           |  |   |   |   |   |
| Indiana Department of Education                                     |                                     |                           |  |   |   |   |   |
| School Breakfast Program  |                                     | 10.553                    | FY 14-15   | \$ -  | \$ 64,957                                       | \$ -  | \$ -  |
| School Breakfast Program  |                                     | 10.553                    | FY 15-16   | -   | -   | -   | 69,057  |
| Total - School Breakfast Program                                    |                                     |                           |  | -   | 64,957  | -   | 69,057  |
| National School Lunch Program                                       |                                     |                           |  |   |   |   |   |
| Indiana Department of Education                                     |                                     |                           |  |   |   |   |   |
| National School Lunch Program                                       |                                     | 10.555                    | FY 14-15   | -   | 232,750   | -   | -   |
| National School Lunch Program                                       |                                     | 10.555                    | FY 15-16   | -   | -   | -   | 256,157   |
| National School Lunch Program Commodities                           |                                     | 10.555                    | FY 14-15   | -   | 36,724  | -   | -   |
| National School Lunch Program Commodities                           |                                     | 10.555                    | FY 15-16   | -   | -   | -   | 38,667  |
| Total - National School Lunch Program                               |                                     |                           |  | -   | 269,474   | -   | 294,824   |
| Total - Child Nutrition Cluster                                     |                                     |                           |  | -   | 334,431   | -   | 363,881   |
| Total - Department of Agriculture                                   |                                     |                           |  | -   | 334,431   | -   | 363,881   |
| <u>Department of Education</u>                                      |                                     |                           |  |   |   |   |   |
| Special Education Cluster (IDEA)                                    |                                     |                           |  |   |   |   |   |
| Special Education_Grants to States                                  |                                     |                           |  |   |   |   |   |
| Indiana Department of Education                                     |                                     |                           |  |   |   |   |   |
| Special Education_Grants to States                                  |                                     | 84.027                    | 14213-009-PN01   | -   | 3,997   | -   | -   |
| Special Education_Grants to States                                  |                                     | 84.027                    | 99914-09-TA01  | -   | 2,724   | -   | 1,604   |
| Special Education_Grants to States                                  |                                     | 84.027                    | 14214-009-PN01   | -   | 96,056  | -   | 3,306   |
| Special Education_Grants to States                                  |                                     | 84.027                    | 14215-009-PN01   | -   | 153,255   | -   | 110,010   |
| Special Education_Grants to States                                  |                                     | 84.027                    | 14216-007-PN01   | -   | -   | -   | 134,434   |
| Total - Special Education_Grants to States                          |                                     |                           |  | -   | 256,032   | -   | 249,354   |
| Special Education_Preschool Grants                                  |                                     |                           |  |   |   |   |   |
| Special Education_Preschool Grants                                  |                                     | 84.173                    | 45715-009-PN01   | -   | 6,940   | -   | 80  |
| Special Education_Preschool Grants                                  |                                     | 84.173                    | 45716-007-PN01   | -   | -   | -   | 6,954   |
| Total - Special Education_Preschool Grants                          |                                     |                           |  | -   | 6,940   | -   | 7,034   |
| Total - Special Education Cluster (IDEA)                            |                                     |                           |  | -   | 262,972   | -   | 256,388   |

NORTH DAVIES COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2015 and 2016

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient<br>06-30-15 | Total<br>Federal Awards<br>Expended<br>06-30-15 | Passed Through<br>to Subrecipient<br>06-30-16 | Total<br>Federal Awards<br>Expended<br>06-30-16 |
|---|-------------------------------------|---------------------------|--|---|---|---|---|
| Title I Grants to Local Educational Agencies                        | Indiana Department of Education     |                           |  |   |   |   |   |
| 13-14 Title I   |                                     | 84.010                    | 14-1375  | -   | 134,715   | -   | -   |
| 14-15 Title I   |                                     | 84.010                    | 15-1375  | -   | 242,538   | -   | 137,662   |
| 15-16 Title I   |                                     | 84.010                    | 16-1375  | -   | -   | -   | 249,740   |
| <b>Total - Title I Grants to Local Educational Agencies</b>         |                                     |                           |  | <b>-</b>                                      | <b>377,253</b>                                  | <b>-</b>                                      | <b>387,402</b>                                  |
| Rural Education   | Indiana Department of Education     |                           |  |   |   |   |   |
| Rural Education   |                                     | 84.358                    | FY 2012  | -   | 3,956   | -   | -   |
| Rural Education   |                                     | 84.358                    | FY 2013  | -   | 13,569  | -   | 3,283   |
| Rural Education   |                                     | 84.358                    | FY 2014  | -   | -   | -   | 10,130  |
| <b>Total - Rural Education</b>                                      |                                     |                           |  | <b>-</b>                                      | <b>17,525</b>                                   | <b>-</b>                                      | <b>13,413</b>                                   |
| English Language Acquisition State Grants                           | Indiana Department of Education     |                           |  |   |   |   |   |
| Title III English Language Acquisition State Grants                 |                                     | 84.365                    | FY 14-16   | -   | 7,251   | -   | -   |
| <b>Total - English Language Acquisition State Grants</b>            |                                     |                           |  | <b>-</b>                                      | <b>7,251</b>                                    | <b>-</b>                                      | <b>-</b>  |
| Improving Teacher Quality State Grants                              | Indiana Department of Education     |                           |  |   |   |   |   |
| Title II Part A Improving Teacher Quality and Effectiveness         |                                     | 84.367                    | FFY 2013   | -   | 43,289  | -   | 1,508   |
| Title II Part A Improving Teacher Quality and Effectiveness         |                                     | 84.367                    | FFY 2014   | -   | 54,431  | -   | 22,128  |
| Title II Part A Improving Teacher Quality and Effectiveness         |                                     | 84.367                    | FFY 2015   | -   | -   | -   | 32,640  |
| <b>Total - Improving Teacher Quality State Grants</b>               |                                     |                           |  | <b>-</b>                                      | <b>97,720</b>                                   | <b>-</b>                                      | <b>56,276</b>                                   |
| <b>Total - Department of Education</b>                              |                                     |                           |  | <b>-</b>                                      | <b>762,721</b>                                  | <b>-</b>                                      | <b>713,479</b>                                  |
| <b>Total federal awards expended</b>                                |                                     |                           |  | <b>\$ -</b>                                   | <b>\$ 1,097,152</b>                             | <b>\$ -</b>                                   | <b>\$ 1,077,360</b>                             |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NORTH DAVIESS COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2015 and 2016. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 3. Daviess-Martin Special Education Cooperative**

The School Corporation is a member of a Special Education Cooperative. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement.

NORTH DAVIESS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

|  |  |
|--|--|
| Type of auditor's report issued:                     | Adverse as to GAAP; Unmodified<br>as to Regulatory Basis |
| Internal control over financial reporting:           |  |
| Material weaknesses identified?                      | no   |
| Significant deficiencies identified?                 | none reported  |
| Noncompliance material to financial statement noted? | no   |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | yes           |
| Significant deficiencies identified?   | none reported |
| Type of auditor's report issued on compliance for<br>major programs:   | Unmodified    |
| Any audit findings disclosed that are required to be reported<br>in accordance with section .510(a) of OMB Circular A-133? | yes           |

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster  
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

|  |    |
|--|----|
| Auditee qualified as low-risk auditee? | no |
|--|----|

**Section II - Financial Statement Findings**

No matters are reportable.

NORTH DAVIESS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-001**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 14-15  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have any internal controls, policies, or procedures in place to ensure that those vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

The School Corporation participated in a Service Center for some of its food service purchasing. The Service Center checked for compliance with suspension and debarment requirements for the vendors used by its members. The School Corporation did not obtain documentation that contracted vendors had not been suspended or debarred.

*Context*

The lack of controls was a systemic issue during the 2014-2015 fiscal year. Documentation was not obtained to support compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for the 2014-2015 fiscal year.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

NORTH DAVIESS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 3016.20(b)(2) states:

*"Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured proper documentation was obtained to verify compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system resulted in records not being properly obtained by the School Corporation to verify compliance with the grant agreement or the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure records are properly obtained to verify compliance with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

NORTH DAVIESS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2016-002***

Subject: Special Education\_Preschool Grants - Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Program: Special Education\_Preschool Grants  
CFDA Number: 84.173  
Federal Award Numbers and Years (or Other Identifying Numbers): 45715-009-PN01, 45716-007-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirement.

Management of the School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred or otherwise excluded from or ineligible to participate in a federal assistance programs prior to entering into a contract with them.

*Context*

Each fiscal year one contracted vendor received more than \$25,000 during the audit period to provide special education preschool services. There was no evidence that the Cooperative verified that the vendors were not suspended or debarred prior to awarding the contracts.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

NORTH DAVIESS COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

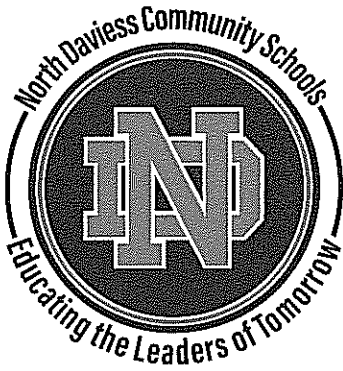
*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the School Corporation. The document is presented as intended by the School Corporation.



North Daviess Community Schools  
5494 E. State Road 58  
Elnora, Indiana 47529  
(812) 636-8000 • Fax (812) 636-7546  
[www.ndaviess.k12.in.us](http://www.ndaviess.k12.in.us)

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Robert W. Bell, Superintendent • Jodi G. Berry, Director of Instruction & Technology  
Glenda O'Connor, Treasurer • Elizabeth Knepp, Administrative Assistant

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### CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Glenda O'Connor, Corporation Treasurer  
Contact Phone Number: 812-636-8000 Ext 1001

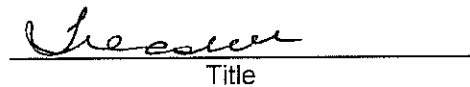
We concur with the attached finding.

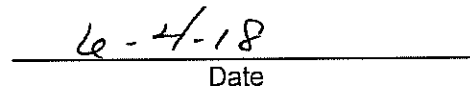
Description of Corrective Action Plan:

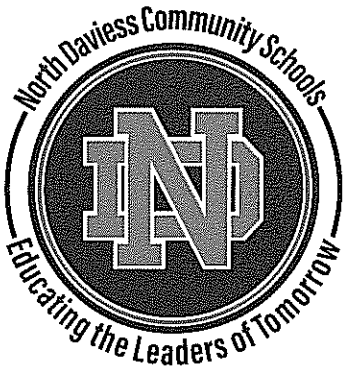
Guidance officials will print the Sams website for any vendor over the \$25,000.00 threshold and keep in our files.

Anticipated Completion Date: This process will begin on 6/1/2018.

  
Signature

  
Title

  
Date



North Daviess Community Schools  
5494 E. State Road 58  
Elnora, Indiana 47529  
(812) 636-8000 • Fax (812) 636-7546  
[www.ndaviess.k12.in.us](http://www.ndaviess.k12.in.us)

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Robert W. Bell, Superintendent • Jodi G. Berry, Director of Instruction & Technology  
Glenda O'Connor, Treasurer • Elizabeth Knepp, Administrative Assistant

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### CORRECTIVE ACTION PLAN

**FINDING 2016-002**

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer  
Contact Phone Number: 812-636-8000 ext 1001

We concur with this finding.

Description of Corrective Action Plan:

The Superintendent, who sits on the Special Education Co-Op board, will work with the Special Ed Co-Op officials to make sure all vendors are approved and not suspended or debarred.

Anticipated Completion Date: June 1, 2018

Glenda O'Connor  
Signature

Treasurer  
Title

6-5-18  
Date

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.